

## Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00  
DODE-00 DOTE-00 EB-08 INR-10 NSAE-00 FAA-00 L-03  
H-01 SS-15 NSC-05 STR-07 TRSE-00 OMB-01 AGRE-00  
ITC-01 /078 W

-----093112 041048Z /21/15

P 040630Z AUG 78  
FM AMEMBASSY TAIPEI  
TO SECSTATE WASHDC PRIORITY 8460  
INFO AMEMBASSY PARIS

C O N F I D E N T I A L TAIPEI 05145

C O R R E C T E D C O P Y T E X T

E.O. 11652: GDS  
TAGS: EAIR, ETRD, TW  
SUBJECT: AIRBUS INDUSTRIE/MCDONNELL-DOUGLAS COMPETITION  
FOR CHINA AIRLINES PURCHASES

REF: STATE 194000

1. DURING AUGUST 3 CALL ON PRIME MINISTER Y.S. SUN TO  
PRESENT NEW DCM I RAISED THE MCDONNELL-DOUGLAS VS AIRBUS  
INDUSTRIE COMPETITION WITHIN THE CONTEXT OF THE BUY  
AMERICAN ISSUE.

2. I NOTED THAT NOTWITHSTANDING CURRENT USG AND GROC  
EFFORTS TO ALLEVIATE THE LARGE TRADE DEFICIT IN TAIWAN'S  
FAVOR OUR ECONOMIC EXPERTS PREDICT THAT THE DEFICIT WOULD  
INCREASE SIGNIFICANTLY OVER THE NEXT SIX MONTHS.  
I ALSO REFERRED TO THE DISAPPOINTMENT REGISTERED THAT  
MORNING BY A MCDONNELL-DOUGLAS TEAM LED BY VICE PRESIDENT  
CHARLES CONRAD. THE TEAM HAD INFORMED ME THAT  
-- THE DC-10 WAS AN EXCELLENT AIRCRAFT FOR CHINA AIRLINES  
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NEEDS,  
-- ROC EXPERTS - I.E. FROM CHINA AIRLINES - THEMSELVES  
HAD RECOGNIZED ITS TECHNICAL/PROFITABILITY MERITS,  
-- THE DC-10 HAD THE EXTRA ADVANTAGE OF BEING A THREE  
ENGINE AIRCRAFT AND THEREFORE LESS VULNERABLE TO  
EMERGENCY LANDINGS IN AREAS IN SOUTHEAST AND EAST ASIA IN  
WHICH CHINA AIRLINES WOULD CERTAINLY NOT WISH TO LAND,

-- UNTIL RECENTLY MCDONNELL HAD HIGH HOPES AND REASON TO BELIEVE ITS PROPOSALS WERE FAVORABLY REGARDED WHEN SUDDENLY THERE HAD BEEN NEWS OF AN ROC REVERSAL IN FAVOR OF THE AIRBUS.

3. I SAID THAT IN LIGHT OF THE GREAT INTEREST IN THIS CASE BACK IN WASHINGTON, HEIGHTENED BY THE OVERALL CONTEXT OF THE GROWING BILATERAL TRADE DEFICIT, I WOULD APPRECIATE RECEIVING THE PREMIER'S VIEWS.

4. SUN RESPONDED BY ADMITTING THAT HE HAD ONLY LEARNED OF THE AIRBUS DEVELOPMENT THROUGH A RECENT NEWSPAPER ACCOUNT. HE ASSURED ME THAT HE WOULD CALL FOR THE FACTS AND CONVEY A RESPONSE TO ME, PERHAPS THROUGH MOFA VICE MINISTER FRED CH'EN WHO WAS ALSO PRESENT. IN ANY EVENT, SAID SUN, THE ROC WAS "SPARING NO EFFORTS" TO ALLEVIATE THE BILATERAL TRADE DEFICIT AS REFLECTED INTER ALIA IN THE DESPATCH OF TWO "BUY AMERICAN" MISSIONS, IN PLANS TO SEND ANOTHER, AND IN THE PURCHASES OF AGRICULTURAL PRODUCTS AND NUCLEAR FUEL (WHICH LATTER UNFORTUNATELY WOULD SHOW UP IN THE TRADE STATISTICS ONLY ON DELIVERY 2-3 YEARS HENCE). HE ALSO CITED AN AUGUST 3 CABINET DECISION TO REDUCE THE DUTY ON ORANGES, GRAPEFRUIT AND LEMONS FROM 50 PERCENT TO 25 PERCENT. HE SUGGESTED THAT THE ROC BOARD OF FOREIGN TRADE WORK EVEN MORE CLOSELY WITH OUR ECONOMIC/COMMERCIAL SECTION TO IDENTIFY SPECIFIC AREAS FOR FURTHER COOPERATION IN ALLEVIATING THE DEFICIT.  
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SUN THEN WENT ON TO BEMOAN THE FACT THAT NOTWITHSTANDING THE APPRECIATION OF THE YEN OVER THE PAST YEAR THE ROC'S LARGE DEFICIT IN TRADE WITH JAPAN CONTINUED TO INCREASE.

5. COMMENT. PERHAPS MOST INTERESTING -- AND DISTURBING -- WAS SUN'S PROFESSION OF IGNORANCE (WHICH I TOOK TO BE GENUINE) OF THE AIRBUS DEVELOPMENT - A STRONG SUGGESTION THAT HE MAY HAVE BEEN CUT OUT OF THE ACTION. UNGER

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SALES, CIVIL AVIATION, GOVERNMENT PROCUREMENT, AIRLINES, NEGOTIATIONS  
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**Copy:** SINGLE  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Number:** 1978TAIPEI05145  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** n/a  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1829551  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** AIRBUS INDUSTRIE/MCDONNELL-DOUGLAS COMPETITION FOR CHINA AIRLINES PURCHASES  
**TAGS:** EAIR, ETRD, TW, US, AIRBUS INDUSTRIE  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014